

Selling U.S. Wines Abroad

"New World" Wines Seek Their Market

by John Ward
Export America

Baseball—a sport whose fans have long favored beer as their beverage of choice—may at first blush be an odd pairing with wine, but as Stacie Jacob of the Washington Wine Commission found out recently, presumptions can be misleading. The commission had brought over a couple of Japanese wine writers to tour Washington wineries for two weeks. Recalls Jacob, "After their tour, they insisted on doing one thing: attending a Mariners game and seeing the team's star pitcher, Ichiro Suzuki. We made sure they got there."

According to Jacob, the communications director for the Washington trade group, building on such cultural links has helped the state boost awareness of its wines in the important Japanese market: "The image of the Pacific Northwest—its natural beauty, the association with a healthful lifestyle, and the cultural links with Japan—has helped us to make ourselves known to Japanese wine buyers." It is a point not lost on many other wine producers, as they seek to sell abroad.

U.S. WINE: A HEALTHY INDUSTRY

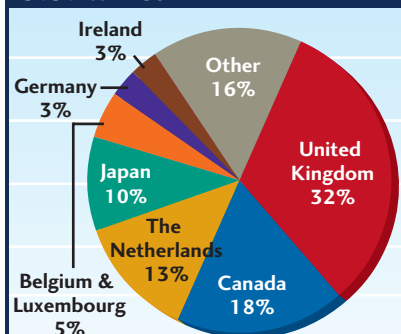
Building an international market has been a natural step for many U.S. wineries, after several decades of strong growth in the domestic market. Despite being hobbled over the years by the legacy of Prohibition, a home market with 50 wildly differing regulatory regimens, and a domestic delivery system that would make Rube Goldberg cringe, the U.S. wine industry has been experiencing one of its best periods in history.

During the 1990s, the number of U.S. wineries nearly doubled, from 1,608 in 1990 to 3,182 in 2002, according

to the American Vintners Association. Newer growing regions—such as those of the Pacific Northwest and Virginia—matured and added to the production of the already well-established wineries in California and New York. At the same time, wine production and sales grew as well, from 109 million liters of wine in 1990 to 300.2 million liters in 2000.

California is by far the most important wine producer in the United States, accounting for some 90 percent of U.S. wine. Its production of 3 million

Largest Export Markets for U.S. Wines



in percent for 2001
Source: Foreign Agricultural Service, U.S. Department of Agriculture.

LARGEST PRODUCERS OF WINE GRAPES IN 2001 (THOUSANDS OF TONS)

California: 3,008 tons
Washington: 100 tons
New York: 41 tons
Oregon: 22.8 tons
Pennsylvania: 12 tons
Texas: 9.3 tons
Virginia: 3.8 tons
U.S. total: 3,568 tons

Source: U.S. Department of Agriculture, "Non-citrus Fruits and Nuts 2001 Summary," Report No. FRnT 1-3 (02), July 2002.

tons of wine grapes in 2001 put it well ahead of second-place Washington, which produced 100,000 tons, and third-place New York, which produced 41,000 tons. (See chart.)

Exports have followed this growth. According to the Wine Institute, a California trade group, U.S. wine exports grew from \$137 million in 1990 to \$560 million in 2000. California, for example, exported 12 percent of its wines in 2001. In Washington State, about 9 percent of the state's production is exported. Nationally, the largest markets for U.S. wines include the United Kingdom, Canada, the Netherlands, and Japan.

DIFFERENT TOOLS FOR DIFFERENT MARKETS

When approaching foreign buyers, sellers of U.S. wine must pay careful attention to the peculiarities of regional and cultural attitudes, as well as such intangibles as perceptions about lifestyle and health concerns.

The Wine Institute's Gladys Horiuchi notes that her group makes a point of associating wine with positive aspects of California, such as the sunny climate, its active lifestyle, and its emphasis on outdoor leisure activities. "People like the image of California,"



Photo courtesy of the Washington Wine Commission.

Kiona Vineyards in the Columbia Valley of Washington State. The producer is part of the state's newest appellation, Red Mountain.

health benefits of drinking red wine. "White wines had always sold better in Japan than red, but after studies were published touting the benefits of drinking red wine, the market in Japan changed. Reds now outsell whites."

Since 1999, the North Bay U.S. Export Assistance Center, located in San Rafael, California, has organized six of these virtual tastings in conjunction with the Foreign Agricultural Service in Italy, Mexico, Colombia,

In a very competitive market, U.S. wine producers use a blend of wine tastings, video-conferencing, and a star baseball player to get their wares before foreign buyers.

says Horiuchi. "We've even brought a surfboard to trade shows to make the point explicit and help sell the wine."

Washington vintner Tom Hedges, owner of Hedges Cellars in Benton City, Washington, notes that in Japan, wine consumers are sponges for information: "They will carefully read the back label, and pay attention to the packaging. It's an important part of approaching that market." Hedges, who began exporting to Japan three years ago, has also benefited from Japanese awareness of the supposed

"VIRTUAL" TASTINGS: AN ADDED EDGE

Traditionally, wine sellers have used trade shows, country visits, and tastings to get the attention of prospective distributors and buyers. A recent twist on this approach has been the development of so-called "virtual" wine tastings. Cases of wine are shipped in advance to the target audience. Later, bottles are opened simultaneously in the United States and in the target country, while winery representatives are available—via videoconferencing—to answer questions from prospective buyers.

Japan, the Philippines, and Switzerland. Several more are in the planning stages for 2003.

At a recent such virtual tasting this past July, five wineries from northern California met at the USEAC offices in San Rafael, while some 38 participants gathered in the U.S. consulate in Osaka, Japan. Japanese attendees included hotel and restaurant buyers, distributors, and press.

The tastings have brought some success. According to Sandy Forman

of Mercury International Corp. of Torrance, California, a distributor representing some 30 small wineries, "Our participation in a virtual tasting in the Philippines got our wines noticed by potential buyers in a market we had never before approached. It laid the groundwork for successful follow-up sales we later made at a Philippine trade show."

MATCHING FUNDS HELP MARKETING EFFORTS

In addition to the assistance offered by the U.S. Export Assistance Centers, the Foreign Agricultural Service of the U.S. Department of Agriculture is a key promoter and financier of wine marketing efforts. Under the department's Market Access Program (MAP), matching funds are provided for certain overseas promotions, such as trade shows, wine fairs, tastings, and a variety of other promotional efforts.

The MAP funds are usually dispersed through private-sector partners, such

as wine trade associations. In fiscal year 2002, for example, the California Wine Institute, the New York Wine and Grape Foundation, and the Northwest Wine Promotion Council collectively received some \$3.5 million under the USDA program. The funds are given out on an annual basis, upon receipt of an application to the USDA that details how the funds will be used.

ON-SITE SALES AND TOURISM

A small niche market for some boutique producers is international wine tourism. Some smaller wine producers already find that a significant portion of their wine sales are made on-site, directly to the consumer during a winery visit. Virginia wineries, for example, sold 43 percent of their wines in 2001 at the winery, with the remainder sold either through distributors (47 percent) or state package stores (10 percent).

Larger wine producing states actively promote their winery regions as tourist



Gewürztraminer grapes.

Photo courtesy of the Washington Wine Commission.

destinations. California, New York, and Washington, for example, all offer printed and on-line guides to their winery regions that are geared to wine tourists. Washington and New York are both particularly well placed to attract international visitors, owing to the proximity of their prime wine producing areas to the Canadian border. According to the Washington Wine Commission, some 5 percent of wine tourists in 2000 were foreign visitors.

THE FUTURE OF "NEW WORLD" WINE EXPORTS

While wine exports may have flattened somewhat over the past year, U.S. wine exporters can look forward to growing markets, thanks to a number of factors in their favor. One is the growing awareness on the part of the federal government to take an active part in helping this sector grow.

In December 2001, five non-European wine-producing countries—the United States, Canada, Australia, Chile, and New Zealand—signed the Agreement on Mutual Acceptance of Oenological Practices. (Argentina subsequently signed the agreement, and South Africa is in the process of



approving it.) These so-called “new world wine exporters” have agreed to take significant steps that will ease barriers to the trade of wines among themselves. These include the establishment of consultation and dispute settlement procedures and, most important, allowing the importation of wines that have been made in accordance with each country’s laws, thereby eliminating a very significant barrier to trade.

Today, while producing some 8 percent of the world’s wine, the United States has a much smaller share—some 4.2 percent—of world wine exports. But with a combination of innovative

marketing, increased international awareness, and lowered trade barriers, U.S. wine producers will have the opportunity to grow and prosper. ■



Chardonnay grapes.

Photo courtesy of the Washington Wine Commission.

SIPS OF MORE WINE INFORMATION

California’s **North Bay U.S. Export Assistance Center (USEAC)**—the sponsor of the virtual wine tastings mentioned in this article—is gearing up for more tastings in 2003. The USEAC is located at 4040 Civic Center Drive, Suite 200, San Rafael, CA 94903. For more information, contact trade specialist Dan Giavina by phone at (415) 492-4548, or via e-mail at daniel.giavina@mail.doc.gov. Information on the activities of this and other U.S. Export Assistance Centers is available on-line at www.export.gov.

The **Foreign Agricultural Service (FAS)** of the U.S. Department of Agriculture is the main U.S. government source of information about wine export marketing promotions, events, and statistics. The FAS Web site is www.fas.usda.gov. The FAS also publishes a monthly magazine, *AgExporter*, which regularly features in-depth looks at markets for U.S. agricultural exports. Recent articles have examined U.S. wine exports to Quebec, Poland, and France. One can subscribe to *AgExporter* by contacting the Government Printing Office at (866) 512-1800, or at <http://bookstore.gpo.gov>. The magazine is also available on-line at www.fas.usda.gov/info/agexporter/agexport.html.

Most **wine-producing states** have agencies or commissions that promote their grape growers and wineries. Here are links to some of the larger ones:

- California: the Wine Institute, www.wineinstitute.org
- Washington: Washington Wine Commission, www.washingtonwine.org
- New York: New York Wine and Grape Foundation, www.nywine.com
- Oregon: Oregon Wine Advisory Board, <http://oregonwine.org>
- Virginia: Department of Agriculture and Consumer Services, www.virginiawines.org
- Texas: Department of Agriculture, www.agr.state.tx.us/wine/docs/grapeguide.htm

Several **trade associations** offer information about production and exports of U.S. wine. They include the American Vintners Association (www.americanwineries.org) and the aforementioned Wine Institute.